



SAN DIEGO & ARIZONA
EASTERN RAILWAY
COMPANY

A Nevada Nonprofit
Corporation

1255 Imperial Avenue
Suite 1000
San Diego, CA
92101-7490
619.231.1466

BOARD OF DIRECTORS
Paul Jablonski, Chairperson
Matt Domen
Jared Gooch

OFFICERS
Paul Jablonski, President
Matt Domen, Secretary
Erin Dunn, Treasurer

LEGAL COUNSEL
Karen Landers

AGENDA

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

July 28, 2020

9:00 a.m.

****Meeting will be held via Webex****

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least five working days prior to the meeting to ensure availability. Assistive Listening Devices (ALDs) are available from the Clerk of the Board prior to the meeting and are to be returned at the end of the meeting. Meeting Webex/teleconference instructions can be accessed at the following link: <https://www.sdmts.com/about-mts-meetings-and-agendas/sdae>

	<u>ACTION RECOMMENDED</u>
1. Approval of the Minutes of January 14, 2020 Action would approve the SD&AE Railway Company Minutes of January 14, 2020.	Approve
2. Statement of Railway Finances (Erin Dunn) Action would receive a report for information.	Informational
3. Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen) Action would receive a report for information.	Informational
4. Report on Pacific Southwest Railway Museum (Diana Hyatt) Action would receive a report for information.	Informational
5. Report on the Desert Line (Jorge Izquierdo) Action would receive a report for information.	Informational
6. Real Property Matters (Tim Allison)	
a. Summary of SD&AE Documents Issued Since January 14, 2020	Informational
b. CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54956.8 Property: Railroad Easement Over Portions of Assessor's Parcel Numbers (APNs) 618-010-26-01, 31-00, and 32-00; 676 Moss Street, Chula Vista, California Agency Negotiators: Sharon Cooney, Chief Executive Officer; Karen Landers, General Counsel; and Tim Allison, Manager of Real Estate Assets Negotiating Parties: SFL – Moss Street, LLC Under Negotiation: Price and Terms of Payment	Possible Action

7. Board Member Communications
8. Public Comments
9. Next Meeting Date: October 6, 2020

MINUTES

BOARD OF DIRECTORS MEETING OF THE SAN DIEGO & ARIZONA EASTERN RAILWAY COMPANY

January 14, 2020

A meeting of the Board of Directors of the San Diego & Arizona Eastern (SD&AE) Railway Company, a Nevada corporation, was held at 1255 Imperial Avenue, Suite 1000, San Diego, California 92101, on January 14, 2020, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Wayne Terry (for Paul Jablonski who was absent), Jared Gooch, and Matt Domen.

Also in attendance were members from San Diego Metropolitan Transit System (MTS): Tim Allison, Erin Dunn, and Karen Landers.

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the October 8, 2019, SD&AE Railway Board of Directors meeting. Mr. Gooch seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Ms. Dunn reviewed the Statement of Railway Finances for the period ending December 2019 (attached to the agenda item).

Ms. Landers reiterated that some legal expenses are anticipated in the future for litigation related to the removal of old tracks. Mr. Allison added that a check was received in the amount of \$1,994,000 for the sale of property in San Ysidro, and the funds were added to the SD&AE budget.

Action Taken

Informational item only. No action taken.

3. Report on San Diego & Imperial Valley Railroad (SD&IV) Operations

Mr. Domen reviewed the SD&IV Periodic Report for activities for the fourth quarter of 2019 (attached to the agenda item).

Mr. Allison reported that the tenant at Moss Street (Kleen Blast) is leaving at the end of the year. There is an industry track spur that serves a parcel north of Moss Street in Chula Vista. There is an existing easement held by SD&AE that the property owner wants MTS to quit claim once the property is rezoned from industrial to residential. When the property entitlements are obtained from Chula Vista, the owner intends to terminate existing tenancies on the site. One of the tenants currently takes service from SD&IV. Once the tenant's lease is terminated, there will no longer be a need to service the property. The owner will need to remove the spur track to build the residential project, which will impact the existing freight siding where the spur connects to the siding by a railroad switch. That switch will need to be removed and rail repaired to finish the construction of the project.

Mr. Allison spoke with the property owner who anticipates having tenants through October. Engineering document review will likely take place over the next six months. The easement will need to be quit claimed and valued, which is an action that could go to the SD&AE Board in April or July.

Mr. Domen added that SD&IV has been helping to relocate Kleen Blast to a new location, as well as working with another company out of Oregon to supply the shipyards and conduct transload at the border. He clarified that the tenant on the L Street team track has relocated near the border.

Mr. Terry reported that the absolute block arrangement from the border to Palomar has been tested by the Federal Railroad Administration (FRA). FRA representative Chad Tisdale will be sending a letter to Mr. Terry with witness approvals. That letter will be submitted to Bill Mullins in Washington and added to the existing waiver. Once approved, Mr. Terry requested that the system be used monthly or bimonthly to ensure that it is working properly.

Action Taken

Informational item only. No action taken.

4. Report on Pacific Southwest Railway Museum Operations

Ms. Landers reported that she went to the Centennial celebration in November, and it was very well attended. Mr. Gooch was in attendance as well.

Action Taken

Informational item only. No action taken.

5. Report on the Desert Line

Ms. Landers revisited the status of the progress on building a new Customs facility near the border. During the site visit with California Border Patrol (CBP) and its NII equipment vendors, NII determined that it was feasible to build an NII machine at the proposed location at the border tunnel, which is CBP's preferred location. Two vendors submitted rough budget estimates to Baja Railroad (BJRR) in September 2019. The next steps are for BJRR to select a vendor and submit plans to CBP. So far to date, there has not been any work done by BJRR.

Ms. Landers informed the Board that BJRR did not make its January 1 payment to MTS; therefore, MTS sent BJRR a 10-day notice to cure letter by January 13. BJRR then requested an extension to January 31, which was granted by MTS. This issue is going as a closed session agenda item to the MTS Board of Directors at its January 16 meeting. BJRR has been informed that permission is being requested for the CEO to have the discretion to terminate the contract if payment is not received by January 31. Ms. Landers stated that the goal is to see this project happen and not to prematurely default; however, BJRR will need to start work on the project.

- Public Speaker: Reena Deutsch

Ms. Deutsch stated that it is her understanding that BJRR has taken steps to discourage trespassers on the Carrizo Gorge section of the Desert Line by locking gates to block tunnels and arrange for periodic enforcement. Ms. Deutsch added that it is easy to find ways around those blocked tunnels, and it is commonly known that security only issues warnings or they are often absent. She stated that hordes of people manage to get to the Goat Canyon trestle.

Ms. Deutsch stated that her main concern is that one of the bypasses around the tunnels leads to the tracks beyond the tunnels, and this detour passes through a sensitive archeological site, which has been the target of damage and looting. Access to the shortcut is via railroad property.

Ms. Deutsch stated that the railroad unwittingly contributes to the ongoing defilement of priceless historic resources and theft of artifacts by not better enforcing its own rules and regulations.

Ms. Deutsch reported that presently, the Dos Caballos region of the Desert Line is one of the illegal track crossings. It is some distance from the site of the former Dos Caballos railroad station. Over the years, rocks and bricks have been manipulated by visitors to allow motor vehicles to cross over the tracks at the station site. After the illegal crossing, dirt roads lead to the tracks just west of Tunnel 20 thereby avoiding Tunnels 20 and 21, which are currently blocked by locked gates. This route goes through and to SD&AE's engineering and survey camp and to a construction camp. She added that there are fragile remnants of structures and artifacts worth saving.

Ms. Deutsch has encountered many cars, trucks, and motorcycles using the route headed to the Goat Canyon trestle. During a hike last year, Ms. Deutsch's group was accosted by a man who had parked his truck in the survey camp, and they saw a large collection of artifacts on the hood of his truck.

Ms. Deutsch suggested that a barrier be constructed that could block vehicles from illegally entering the short section of track crossing at Dos Caballos (Mile 109.7), which would be a simple low-cost measure to protect this area. It was agreed that Ms. Deutsch will give Ms. Landers a tour of the area.

Action Taken

Informational item only. No action taken.

6. Real Property Matters

a. Summary of SD&AE Documents Issued Since October 8, 2019

Mr. Allison reported that the following documents were processed since the October 8, 2019, SD&AE Board of Directors meeting.

- S200-19-700: Right of Entry Permit to Par Electric Contractors to install aerial electric facilities at and near the Palomar Trolley Station in the City of Chula Vista.

- S200-19-707: Right of Entry Permit to AT&T California to construct an aerial fiber-optic line near Hill Street in the City of El Cajon.
- S200-19-721: Right of Entry Permit to Brad L. Stoner Painting, Inc. to paint the side of an adjacent building at Anita Street in the City of Chula Vista.

Action Taken

Informational item only. No action taken.

7. Board Member Communications

Mr. Terry reported that there is an agenda item going to the MTS Board of Directors at its next meeting to remove catenary poles in the San Ysidro Yard.

Mr. Domen received an e-mail stating that the underground storage tanks at the San Ysidro Yard need to be removed by 2023. Mr. Allison added that the process to remove them should start immediately as it will take some time to complete.

8. Public Comments

There were no public comments.

9. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on Tuesday, April 7, 2020.

10. Adjournment

The meeting was adjourned at 9:20 a.m.

/s/ Wayne Terry
President

/s/ Karen Landers
General Counsel

Agenda Item No. 2

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

July 28, 2020

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a financial report for the period ending June 30, 2020.

Budget Impact

None.

DISCUSSION:

Attached are SD&AE's preliminary financial results for the period ending June 30, 2020. We will continue to accrue expenses for invoices that come in with services rendered prior to June 30, 2020. We expect a final report to be available at the October 6, 2020, meeting.

As of June 30, 2020, fiscal year-to-date revenues are \$488,000 favorable to budget primarily due to the Desert Line Lease revenue not included in the budget.

Expenses are \$165,000 favorable to budget primarily due to a favorable variance in both Outside Services and Risk Management.

The year-to-date Net Income as of June 30, 2020, was \$557,000.

Attachment: SD&AE Operating Statement for period ending June 30, 2020

SD&AE Operating Statement FY2020-19

	FY 2020						FY 2019		
	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	YTD Actual	YTD Budget	Variance	YTD Actual	Variance
Revenues									
Right of Entry Permits	\$ 12,750	\$ 7,275	\$ 11,063	\$ 7,870	\$ 38,958	\$ 35,000	\$ 3,958	\$ 18,750	\$ 20,208
Lease Income	19,533	19,983	19,488	19,539	78,542	85,000	(6,458)	85,270	(6,728)
Desert Line Lease Revenue	250,010	249,990	-	-	500,000	-	500,000	1,000,000	(500,000)
Operator Income - SD&IV 1% Freight Fee	10,000	10,000	1,647	9,000	30,647	40,000	(9,353)	35,156	(4,509)
Total Revenues	\$ 292,293	\$ 287,247	\$ 32,198	\$ 36,409	\$ 648,147	\$ 160,000	\$ 488,147	\$ 1,139,176	\$ (491,029)
Expenses									
Personnel Costs	\$ 10,782	\$ 13,343	\$ 12,181	\$ 5,086	\$ 41,392	\$ 47,500	\$ 6,108	\$ 36,288	\$ (5,103)
Outside Services	-	-	680	4,626	5,306	110,000	104,694	48,486	43,180
Risk Management	3,600	5,648	6,161	7,253	22,661	69,301	46,640	57,700	35,039
Misc. Operating Expenses	3,433	17,857	25	150	21,464	29,200	7,736	25,896	4,432
Total Expenses	\$ 17,815	\$ 36,847	\$ 19,047	\$ 17,114	\$ 90,823	\$ 256,001	\$ 165,178	\$ 168,370	\$ 77,547
Net Income/(Loss)	\$ 274,479	\$ 250,400	\$ 13,151	\$ 19,294	\$ 557,324	\$ (96,001)	\$ 653,325	\$ 970,806	\$ (413,482)

Reserve Balance July 1, 2019	\$ 372,897
Allocated Interest Earnings - Estimated	10,000
Operating Profit/(Loss) - YTD	557,324
Gain on Sale of Property	1,994,000
Less Desert Line Lease Revenue	(500,000)
Estimated Reserve Balance as of June 30, 2020	\$ 2,434,221

Agenda Item No. 3

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

July 28, 2020

SUBJECT:

REPORT ON SAN DIEGO AND IMPERIAL VALLEY (SD&IV) RAILROAD OPERATIONS
(JARED GOOCH)

RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

An oral report will be given during the meeting.

Attachment: 2nd Quarter report for 2020



SD&AE Board
C/O MTS
1255 Imperial Avenue, Suite 1000
San Diego, California 92101

July 17, 2020

Periodic Report

In accordance with Section 20 of the Agreement for Operational Freight Service and Control through Management of the San Diego and Arizona Eastern Railway Company activities of interest for the 2nd Quarter of 2020 are listed as follows:

1. Labor

At the end of June 30, 2020, the San Diego & Imperial Railroad had 8 employees:

- 1 General Manager
- 1 Manager - Marketing & Sales
- 1 Office Manager
- 1 Mechanical Manager
- 1 Maintenance of Way Employee
- 3 Train Service Employees

2. Marketing

Volume in the 2nd Quarter had a 29% decrease as compared to the same quarter in 2019. Both bridge traffic into Mexico and traffic terminating on SDIY were down about the same amount. The Mexican volume decrease is primarily attributed to Covid related production decreases, especially among the packaging products. On the US side, volumes are down due to the completion of the border wall material transload and decreased ethanol demand due to Covid.

3. Reportable Injuries/Environmental

Days through year to date, June 30, 2020, there were no FRA Reportable injuries or Environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: **8487**

4. Summary of Freight

	2020	2019	2018
Total rail carloads that moved by SDIY Rail Service in the quarter.	718	1011	904
Total railroad carloads Terminating/Originating Mexico in the quarter.	387	551	575
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	331	460	329
Total customers directly served by SDIY in the quarter	9	12	12
Regional Truck trips that SDIY Railroad Service replaced in the quarter	2154	3033	2712

Respectfully,

Matt Domen

General Manager

Agenda Item No. 4

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

July 28, 2020

SUBJECT:

REPORT ON PACIFIC SOUTHWEST RAILWAY MUSEUM

RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

An oral report will be given during the meeting.

Attachment: Quarterly report not submitted in time for the mail-out



Pacific Southwest Railway Museum

La Mesa Depot 4695 Nebo Drive La Mesa, CA 91941 619-465-7776

July 22, 2020

SD&AE Board
c/o Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

Re: Second Quarter 2020

Dear SD&AE Board:

During the second quarter of 2020 the Pacific Southwest Railway Museum operated zero trains and was open to the public zero days in response to the coronavirus lockdown and subsequent orders for non-essential businesses and museums. There were no FRA reportable accidents or injuries during the second quarter, 2020. Total revenue from SD&AE property for this time period was \$0.

Passenger ridership during the second quarter of previous years has been:

2,607 passengers during the second quarter of 2019
1,866 passengers during the second quarter of 2018
2,315 passengers during the second quarter of 2017
1,185 passengers during the second quarter of 2016
2,197 passengers during the second quarter of 2015
2,794 passengers during the second quarter of 2014
1,901 passengers during the second quarter of 2013
2,882 passengers during the second quarter of 2012
2,434 passengers during the second quarter of 2011
1,977 passengers during the second quarter of 2010

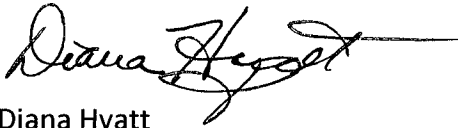
PSRM continues to perform FRA mandated maintenance and keep current with electrical charges for both signalized railroad crossings within our right-of-way limits; PSRM signal maintainers perform the monthly, quarterly and annual inspections. Our Maintenance of Way

department began tie renewal and weeding efforts along the mainline towards the end of the quarter with plans for continued efforts through the summer months.

Efforts were underway for a planned re-opening of the facility compliant, with all mandated CDC regulations for July 25 but that has now been altered to an anticipated reopening date for Labor Day weekend, Saturday, September 5, 2020.

Thank you for allowing us the opportunity to interpret southern California railroading in a living history atmosphere. We are honored to be caretakers of the Campo Depot and the Desert Line and look forward to a renewed and prosperous year ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "Diana Hyatt", with a long horizontal flourish extending to the right.

Diana Hyatt
President

Agenda Item No. 5

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

July 28, 2020

SUBJECT:

REPORT ON THE DESERT LINE

RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

A report will be presented during the meeting.

Attachment: Quarterly report not submitted in time for the mail-out

Agenda Item No. 6a

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

July 28, 2020

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE JANUARY 14, 2020

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

Since the January 14, 2020, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-20-728: Right of Entry Permit to Swinerton Builders to construct an at-grade crossing on the Coronado Branch at E Street in the City of Chula Vista.
- S200-20-729: Right of Entry Permit to Hal Hays Construction, Inc. to construct a water pipeline at Elm Street in the City of San Diego.
- S200-20-732: Right of Entry Permit to New Way Tree Service to perform landscape maintenance along the Orange Line in the City of La Mesa.
- S200-20-733: Right of Entry Permit to HP Communications, Inc. to construct an underground fiber-optic line at Moss Street in the City of Chula Vista.
- S200-20-734: Right of Entry Permit to Navy Region Southwest for the 34th Annual Bay Bridge Run/Walk event.
- S200-20-738: Right of Entry Permit to Level 10 Construction, LP, to construct a residential building at 14th Street and Commercial Avenue in the City of San Diego.
- S200-20-741: Right of Entry Permit to SDG&E to construct an underground electric crossing at E Street and an aerial electric crossing south of E Street on the Coronado Branch in the City of Chula Vista.

Thank you for this opportunity to discuss the Desert Line contract. As you know, a group with which I am associated opened the rail line in 2006 and we were able to export from Mexico ri-bar, as well as massive exportation of sand to the Campo facility. Unfortunately, the effort was taken over by a cabal from Las Vegas which not only destroyed the corporate organization but also did similar damage on the Mexican portion of the rail line.

One of the major problems with the operation of the line is the interference by government agencies. The 20-year mess by the PAN administration on the Mexican portion of the line is due to the corruption of Mexican officials to exact tribute to support a bloated, parasitic and redundant organization that was established to manage the assignment of the line from the central government. The recent mis-accounting of the \$20 million grant to upgrade the line is the latest of these fiascos.

The Desert line has been the red-headed stepchild of the MTDB/MTS system. When my group had control of the situation, under a reasonable contract with a minimum fee and percentage, the line was opened and operating. But the imposition of a \$1 million minimum fee was a stupid attempt by the past MTS CEO to show some return for this constant burr in his saddle. Through the reams of litigation and bankruptcies, the present Desert Line contractor is stuck with the reality of now catching up with a \$1 million payment, which it obviously does not have. Extensions of the 1 January due date for the first half-million; and now 1 July for the second half-million, are met with pleadings for extensions and what are obdurately disingenuous justifications. Clearly the contractor has no ability to pay this minimum fee, much less following through with the other pie-in-the-sky demands of the contract, based upon MTS's normal cost estimating under Davis-Bacon criteria. But seeing the potential to lose a million bucks seems like malfeasance by not running out the payment deadline in desperation.

But this fiasco must stop and this contract ended. It is unfortunate that the prior payments by the contractor have no recourse. But there seems to have been no plan in the first place, just great aspirations.

I ask the present MTS organization to terminate this contract and be prepared to sell the Desert line to a private party, so that the rail line can be opened, and real, 24-hour commerce returned to the region.

The acquisition of the line system from Southern Pacific had the obligation as a common carrier to keep the eastern freight railroad open. MTS has not done this. Having a single Class I carrier serving San Diego is not in the best interests of competition and movement of goods. The vulnerability of the coast rail line has been already seen at Del Mar and San Clemente.

Moreover, this line is a unique, international railroad and involved two nations, it is not some parochial, historic remnant.

R. Mitchel Beauchamp

28 July 2020